

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002

## GOVERNMENTAL FUND TYPES

|   | GENERAL       | SPECIAL<br>REVENUE | CAPITAL<br>PROJECTS | TOTALS<br>(MEMORANDUM<br>ONLY) |
|---|---------------|--------------------|---------------------|--------------------------------|
| REVENUES:   |               |                    |                     |                                |
| Taxes   | \$ 4,861,314  | \$ 673,448         | \$ 6,953,648        | \$ 12,488,410                  |
| Licenses and permits  | 636,463       | -                  | -                   | 636,463                        |
| Intergovernmental   | 2,397,314     | 2,278,996          | -                   | 4,676,310                      |
| Charges for services  | 2,713,113     | 83,274             | 1,517,760           | 4,314,147                      |
| Fines and forfeits  | 95,846        | 24,451             | -                   | 120,297                        |
| Interest and rents  | 2,775,018     | 47,548             | 600,303             | 3,422,869                      |
| Miscellaneous   | 249,804       | 92,835             | 106,950             | 449,589                        |
| Total revenues  | 13,728,872    | 3,200,552          | 9,178,661           | 26,108,085                     |
| EXPENDITURES:   |               |                    |                     |                                |
| General government  | 2,742,244     | -                  | 1,261,547           | 4,003,791                      |
| Public safety   | 6,745,882     | 108,395            | -                   | 6,854,277                      |
| Public works  | 5,430,812     | 2,041,772          | 709,891             | 8,182,475                      |
| Recreation  | 817,154       | -                  | -                   | 817,154                        |
| Capital outlay  | -             | 763,075            | 1,573,246           | 2,336,321                      |
| Debt service  |               |                    |                     |                                |
| Principal   | -             | -                  | 1,230,000           | 1,230,000                      |
| Interest  | -             | -                  | 778,912             | 778,912                        |
| Total expenditures  | 15,736,092    | 2,913,242          | 5,553,596           | 24,202,930                     |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES                                   | (2,007,220)   | 287,310            | 3,625,065           | 1,905,155                      |
| OTHER FINANCING SOURCES (USES):   |               |                    |                     |                                |
| Operating transfers in  | 564,559       | 211,774            | 854,581             | 1,630,914                      |
| Operating transfers (out)   | -             | (2,160,917)        | -                   | (2,160,917)                    |
| Total other financing<br>sources (uses)   | 564,559       | (1,949,143)        | 854,581             | (530,003)                      |
| EXCESS OF REVENUE AND OTHER<br>SOURCES OVER(UNDER)<br>EXPENDITURES AND OTHER USES | (1,442,661)   | (1,661,833)        | 4,479,646           | 1,375,152                      |
| FUND BALANCE<br>BEGINNING OF YEAR   | 14,103,532    | 6,326,743          | 43,724,884          | 64,155,159                     |
| FUND BALANCE END OF YEAR  | \$ 12,660,871 | \$ 4,664,910       | \$ 48,204,530       | \$ 65,530,311                  |

See accompanying notes to financial statements

## CITY OF HOLLISTER

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2002

|   | GENERAL FUND   |               | SPECIAL REVENUE FUNDS |              |
|---|----------------|---------------|-----------------------|--------------|
|   | BUDGET         | ACTUAL        | BUDGET                | ACTUAL       |
| REVENUES:   |                |               |                       |              |
| Taxes   | \$ 4,530,000   | \$ 4,861,314  | \$ 652,000            | \$ 673,448   |
| Licenses and permits  | 1,996,710      | 636,463       | -                     | -            |
| Intergovernmental   | 2,178,548      | 2,397,314     | 1,033,812             | 2,278,996    |
| Charges for services  | 1,324,129      | 2,713,113     | -                     | 83,274       |
| Fines and forfeits  | 100,700        | 95,846        | 125,000               | 24,451       |
| Interest and rents  | 1,443,380      | 2,775,018     | 157,250               | 47,548       |
| Miscellaneous   | 1,288,000      | 249,804       | 22,500                | 92,835       |
| Total revenues  | 12,861,467     | 13,728,872    | 1,990,562             | 3,200,552    |
| EXPENDITURES:   |                |               |                       |              |
| General government  | 4,116,238      | 2,742,244     | 9,504                 | -            |
| Public safety   | 5,318,452      | 6,745,882     | 1,455,059             | 108,395      |
| Public works  | 2,535,738      | 5,430,812     | 773,229               | 2,041,772    |
| Recreation  | 867,127        | 817,154       | -                     | -            |
| Capital outlay  | 2,407,836      | -             | -                     | 763,075      |
| Debt service  |                |               |                       |              |
| Principal   | -              | -             | -                     | -            |
| Interest  | -              | -             | -                     | -            |
| Total expenditures  | 15,245,391     | 15,736,092    | 2,237,792             | 2,913,242    |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES                                   | (2,383,924)    | (2,007,220)   | (247,230)             | 287,310      |
| OTHER FINANCING SOURCES (USES):   |                |               |                       |              |
| Operating transfers in  | -              | 564,559       | -                     | 211,774      |
| Operating transfers out   | -              | -             | -                     | (2,160,917)  |
| Total other financing<br>sources (uses)   | -              | 564,559       | -                     | (1,949,143)  |
| EXCESS OF REVENUE AND OTHER<br>SOURCES OVER(UNDER)<br>EXPENDITURES AND OTHER USES | \$ (2,383,924) | (1,442,661)   | \$ (247,230)          | (1,661,833)  |
| FUND BALANCE<br>BEGINNING OF YEAR   |                | 14,103,532    |                       | 6,326,743    |
| FUND BALANCE END OF YEAR  |                | \$ 12,660,871 |                       | \$ 4,664,910 |

See accompanying notes to financial statements

| CAPITAL PROJECTS<br>FUNDS |               | TOTALS<br>(MEMORANDUM ONLY) |               |
|---------------------------|---------------|-----------------------------|---------------|
| BUDGET                    | ACTUAL        | BUDGET                      | ACTUAL        |
| \$ 4,575,000              | \$ 6,953,648  | \$ 9,757,000                | \$ 12,488,410 |
| -                         | -             | 1,996,710                   | 636,463       |
| 25,000                    | -             | 3,237,360                   | 4,676,310     |
| 3,425,000                 | 1,517,760     | 4,749,129                   | 4,314,147     |
| -                         | -             | 225,700                     | 120,297       |
| 1,201,000                 | 600,303       | 2,801,630                   | 3,422,869     |
| -                         | 106,950       | 1,310,500                   | 449,589       |
| 9,226,000                 | 9,178,661     | 24,078,029                  | 26,108,085    |
| 1,420,697                 | 1,261,547     | 5,546,439                   | 4,003,791     |
| -                         | -             | 6,773,511                   | 6,854,277     |
| 95,604                    | 709,891       | 3,404,571                   | 8,182,475     |
| -                         | -             | 867,127                     | 817,154       |
| -                         | 1,573,246     | 2,407,836                   | 2,336,321     |
| 1,270,000                 | 1,230,000     | 1,270,000                   | 1,230,000     |
| 602,697                   | 778,912       | 602,697                     | 778,912       |
| 3,388,998                 | 5,553,596     | 20,872,181                  | 24,202,930    |
| 5,837,002                 | 3,625,065     | 3,205,848                   | 1,905,155     |
| -                         | 854,581       | -                           | 1,630,914     |
| -                         | -             | -                           | (2,160,917)   |
| -                         | 854,581       | -                           | (530,003)     |
| \$ 5,837,002              | 4,479,646     | \$ 3,205,848                | 1,375,152     |
|                           | 43,724,884    |                             | 64,155,159    |
|                           | \$ 48,204,530 |                             | \$ 65,530,311 |

CITY OF HOLLISTER

COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2002

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OPERATING REVENUES:

|                      |              |
|----------------------|--------------|
| Charges for services | \$ 7,496,248 |
|----------------------|--------------|

|                          |                  |
|--------------------------|------------------|
| Total operating revenues | <u>7,496,248</u> |
|--------------------------|------------------|

OPERATING EXPENSES:

|                   |           |
|-------------------|-----------|
| Personal services | 1,660,803 |
|-------------------|-----------|

|                      |           |
|----------------------|-----------|
| Contractual services | 1,692,296 |
|----------------------|-----------|

|                        |           |
|------------------------|-----------|
| Supplies and materials | 1,222,445 |
|------------------------|-----------|

|           |           |
|-----------|-----------|
| Utilities | 1,130,477 |
|-----------|-----------|

|                |           |
|----------------|-----------|
| Capital outlay | 1,595,775 |
|----------------|-----------|

|              |  |
|--------------|--|
| Debt service |  |
|--------------|--|

|                      |   |
|----------------------|---|
| Principal retirement | - |
|----------------------|---|

|                             |         |
|-----------------------------|---------|
| Interest and fiscal charges | 927,017 |
|-----------------------------|---------|

|              |               |
|--------------|---------------|
| Depreciation | <u>78,453</u> |
|--------------|---------------|

|                          |                  |
|--------------------------|------------------|
| Total operating expenses | <u>8,307,266</u> |
|--------------------------|------------------|

|                  |                  |
|------------------|------------------|
| OPERATING INCOME | <u>(811,018)</u> |
|------------------|------------------|

NON-OPERATING INCOME:

|          |         |
|----------|---------|
| Interest | 224,607 |
|----------|---------|

|                   |        |
|-------------------|--------|
| Intergovernmental | 10,000 |
|-------------------|--------|

|              |           |
|--------------|-----------|
| Transfers in | 1,384,584 |
|--------------|-----------|

|                 |          |
|-----------------|----------|
| Transfers (out) | <u>-</u> |
|-----------------|----------|

|                            |                  |
|----------------------------|------------------|
| Total non-operating income | <u>1,619,191</u> |
|----------------------------|------------------|

|                   |                |
|-------------------|----------------|
| NET INCOME (LOSS) | <u>808,173</u> |
|-------------------|----------------|

RETAINED EARNINGS (DEFICIT)

|                   |                   |
|-------------------|-------------------|
| BEGINNING OF YEAR | <u>11,525,515</u> |
|-------------------|-------------------|

RETAINED EARNINGS (DEFICIT)

|             |                             |
|-------------|-----------------------------|
| END OF YEAR | <u><u>\$ 12,333,688</u></u> |
|-------------|-----------------------------|

See accompanying notes to financial statements.



CITY OF HOLLISTER

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COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002

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|  |                             |
|--|-----------------------------|
| Net Income   | \$ 808,173                  |
| Adjustments to reconcile net operating income to<br>net cash provided by operating activities: |                             |
| Changes in assets and liabilities:   |                             |
| Increase in accounts receivable  | \$ (12,004)                 |
| Increase in fixed assets   | (3,217,598)                 |
| Increase in due from other funds   | (1,384,584)                 |
| Increase in accounts payable   | 332,221                     |
| Decrease in deposits payable   | (2,189)                     |
| Increase in due to other governments   | 1,089,810                   |
| Depreciation   | <u>78,453</u>               |
| Total Adjustments  | (3,115,891)                 |
| Net Cash provided by operating activities  | (2,307,718)                 |
| Cash flows from capital and related financing activities:                                      |                             |
| Decrease in long term debt   | <u>(345,000)</u>            |
| Net cash used for capital and related financing activities                                     | <u>(345,000)</u>            |
| Net decrease in cash   | (2,652,718)                 |
| CASH AT BEGINNING OF YEAR  | <u>23,210,513</u>           |
| CASH AT END OF YEAR  | <u><u>\$ 20,557,795</u></u> |

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

## CITY OF HOLLISTER

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2002

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hollister, California was incorporated in 1872. The City is a general law city and operates under a Council-Manager form of government.

The City of Hollister (City) complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Boards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

#### Description of the Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

The general purpose financial statements of the City of Hollister include the financial activities of the City and the Hollister Redevelopment Agency. The financial operations are closely related and the City Council has a continuing oversight responsibility over the entities. The oversight responsibility is determined on the basis of budget adoption, taxing authority, funding and appointment of the governing board.

Component units are reported in the City's General Purpose Financial Statements as shown in the following table.

| Blended Component Units<br>Reported with the Primary<br>Government | Brief Description of<br>Activities and relationship<br>to the City  | Reporting Funds   |
|--|---|---|
| Hollister Redevelopment<br>Agency                                  | Develop, finance and<br>maintain infrastructure for<br>the benefit of the City. City<br>Council members serve as<br>Redevelopment Board<br>Members, and the City<br>Manager is the Executive<br>Director. | Capital Projects Fund,<br>General Long Term Debt<br>Account Group |

Complete financial statements for the Redevelopment Agency as an individual component unit may be obtained at the entity's administrative offices.

#### Description of Funds and Account Groups

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into six generic fund types and three broad fund categories as follows:

#### Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Funds). In accordance with GASB Statement No. 6 "Accounting and Reporting for Special Assessments", the Special Assessment Fund is reported with the Agency Fund. The Special Assessment Fund is used to account for the



construction of certain public improvements deemed to benefit the properties against which special assessments are levied.

### Proprietary Fund

Enterprise Funds - The Enterprise Funds are used to account for activities that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

### Fiduciary Fund

Agency Fund - The Agency Fund is used to account for assets held by the City as an agent for individuals or other entities. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

### Account Groups

#### General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

#### General Long-Term Debt Account Group

Long-term liabilities expected to be financed from Governmental funds are accounted for in the general long-term debt account group, not in the Governmental funds.

### Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A forty-five day availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales tax collected and held by the state at year-end on behalf of the City also is recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Budgets and Budgetary Accounting - The City operates under the general laws of the State of California and annually adopts a budget for its General and Special Revenue, and Capital Projects Funds to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the departmental level, the amounts stated therein as proposed expenditures became appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager and/or Finance Director may authorize transfers from one object or purpose to another within the same department. All appropriations lapse at year-end.

Fixed Assets - The City maintains records of fixed assets as required by generally accepted accounting principles. Accordingly, a statement of general fixed assets which would summarize the cost of the City's land, buildings, and equipment is included in the accompanying financial statements. Outlays by Governmental Funds for plant and equipment are included in expenditures as incurred.